

Prepare for Ontario's HST: #7 – Small Business Transition Support

This information will help small businesses understand if they are eligible for a small business transition support payment (SBTSP) and explain how the support payment will be delivered to them. This support payment has been commonly referred to as the "Small Business Transition Credit." Revisions to the previous version dated November 2010 are identified by a bar (|).

The Ontario government is providing one-time transition assistance to help small businesses offset costs incurred in making changes to their point-of-sale and accounting systems in order to collect the Harmonized Sales Tax (HST) that came into effect in Ontario on July 1, 2010.

The general transitional rules for the HST were released in October 2009 to assist businesses and consumers in the move to the HST. As part of the transitional rules, starting May 1, 2010, the HST generally applied to consideration that became due, or was paid without having become due, for property and services provided on or after July 1, 2010.

Businesses are reminded that all necessary changes to their accounting and point-of-sale systems should have been made to ensure that the HST is properly charged and paid and to reduce the potential for costly errors and oversights.

Systems that required changes may have included:

- point-of-sale terminals, cash registers, computer software and websites
- invoices, sales receipts, purchase orders and expense reports
- special codes for Ontario's point-of-sale rebates and
- the ability to track restricted/non-restricted Input Tax Credits, federal/provincial components of HST.

Eligibility for the Support Payment

In order to qualify for a transition support payment, an eligible business must:

- not be a listed financial institution under the *Excise Tax Act* (Canada)
- carry on business in Ontario and have been a GST/HST registrant on July 1, 2010
- make GST/HST taxable supplies (including zero-rated supplies) in the course of carrying on business
- have a premises in Ontario where it conducts its business and
- have taxable revenue of less than \$2 million in a 12-month period.

"Taxable revenue" is the amount of sales and other revenue for that period for the purposes of the *Excise Tax Act* (Canada). It is required to be reported by a business to the Canada Revenue Agency (CRA).

For each business, the Ministry of Revenue will determine taxable revenue using the most recent 12-month period ending on or after January 1, 2009 for which adequate financial information is available from the CRA. This means that the appropriate 12-month period will be determined on a case-by-case basis, based on the financial information reported by a business to the CRA.

Eligible businesses will qualify for a transition support payment of up to \$1,000, as outlined in the following table:

Small Business Transition Support	
Taxable Revenue for the 12-Month Period	Amount of Transition Support Payment
60,000 or less	\$300
Over 60,000 and up to and including \$200,000	0.5% of taxable revenue for the 12-month period
Over \$200,000 and less than \$2 million	\$1,000

Delivery of Support Payments

Beginning in the fall of 2010, Ontario will automatically calculate the SBTSP amounts and send cheques to eligible businesses once taxable revenue information for a 12-month period ending on or after January 1, 2009 has been provided to the CRA.

Reporting the Payment as Income

The SBTSP is taxable for income tax purposes and should be reported as taxable business income.

Although the SBTSP is not consideration for a supply of a good or a service, it is considered to be "other revenue" for GST/HST reporting purposes. Registrants remitting net tax using the regular method of accounting for GST/HST (not the Quick Method) are required to include the amount on line 101 of their GST/HST return that covers the reporting period in which the payment was received.

If you have questions regarding "taxable business income" or "other income" please contact the CRA.

For More Information:

For information on small business transition support payments, call the Ministry of Revenue at 1 866 ONT-TAXS (1 866 668-8297), Teletypewriter (TTY): 1 800 263-7776, or visit our website at ontario.ca/revenue to obtain the most current version of this tax tip.

For general information on the introduction of the HST in Ontario and the wind down of the RST, call Ontario's Budget hotline at 1-800-337-7222, Teletypewriter (TTY): #1-800-263-7776, or visit ontario.ca/taxchange. The Canada Revenue Agency is your source for information about GST/HST. Visit the CRA's website at cra.gc.ca/gsthst or call 1 800 959-5525 for general enquiries or 1 800 959-8287 for rulings.

